

RED FLAGS	RED FLAG IDENTIFIED	ACCEPTABLE
SECTION 1: Escrow/Closing Instructions		
1) "Fill in the blank" escrow instructions		
2) Change of sales prices to "fit" the appraisal		
3) Odd amounts paid as a deposit/downpayment		
4) Downpayment is paid into escrow upon opening		
5) Cash is paid outside of escrow to property seller		
6) Sale is subject to property seller acquiring title		
7) Business entity acting as the property seller is controlled by or related to borrower		
8) Buyer is required to use a specific broker/lender		
9) Reference to another (double) escrow		
10) Unusual credits with no economic substance		
11) Demands paid off to undisclosed third parties (potential obligations)		
12) Purchase not subject to inspection		
13) Right of assignment (who is the actual borrower?)		
14) Related parties involved in the transaction		
15) Power of attorney used with no explanation (why can't borrower execute documents?)		
16) Power of attorney is not properly documented/recorded		
17) No amendments to escrow		
18) Unusual amendments to the original transaction		
19) Seller on HUD I different than seller on preliminary title report		
SECTION 2: Estimated HUD-1/Settlement Statement Red Flags		
1) Property seller is a corporation		
2) No real estate agent		
3) No loan payoff for seller		
4) Unusual or unexplained credits or disbursements such as repairs, referral or consulting fees and credits, related parties, delinquent loans pay off, or multiple mortgages pay off		
5) Seller's address is the same as mortgage broker		
6) Excessive disbursements on the seller side of the HUD-1 that are not normal closing costs or lien releases		
7) Seller's name inconsistent with name on appraisal and/or purchase agreement and/or title commitment		
8) Date of settlement is delayed without explanation		
9) Sales price differs from sales contract		
10) Reference is made to undisclosed secondary financing or double escrow		
11) Rent prorated on owner-occupied transactions		
12) Cash proceeds to buyer in excess of \$300		
13) Zero amount due to/from buyer		